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Report of the Working Group on the Financing of the United Nations Relief and Works Agency for Palestine Refugees in the Near East

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Summary

The present report of the Working Group on the Financing of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) describes the activities of the Group during 2009 and provides a detailed outline of the current financial situation of UNRWA. The Working Group unanimously adopted the report at its meeting on 9 November 2009. As in previous reports of the Group, the present report closes with a number of concluding remarks addressed to all Member States.

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I. Introduction: origin and background of the Working Group

1. The Working Group on the Financing of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) was established by the General Assembly under resolution 2656 (XXV) to study all aspects of the financing of the Agency. In that resolution, the Assembly requested the Working Group to assist the Secretary-General and the Commissioner-General of UNRWA in reaching solutions to the problems posed by the Agency's financial crisis.

2. At its twenty-fifth session and all those that followed, the General Assembly considered the reports submitted to it by the Working Group (in 2008, A/63/375)[1] and adopted resolutions commending the efforts of the Working Group and requesting it to continue them for a further year (General Assembly resolution 63/93).

3. The Working Group consists of the representatives of France, Ghana, Japan, Lebanon, Norway, Trinidad and Tobago, Turkey, the United Kingdom of Great Britain and Northern Ireland and the United States of America. The Chairman of the Working Group is Ertuğrul Apakan of Turkey.

II. Activities of the Working Group during 2009

4. During 2009, the Working Group was convened on an exceptional basis by its Chair, following a letter from the Commissioner-General dated 13 April 2009 concerning the resources crisis faced by the Agency as it approached the end of its three-year organizational development programme, in December 2009, necessitating additional support from the United Nations regular budget. In response, the Working Group held three meetings, on 19 and 25 May 2009, and on 25 June 2009, when it adopted a report to be sent to the Fourth Committee of the General Assembly. With respect to its regular annual session, the Working Group met first on 14 September 2009, when the Director of the UNRWA Representative Office briefed the Working Group on the Agency's financial situation and developments facing the Agency. The Working Group held seven meetings during its regular session, agreeing on and adopting the present report on 9 November 2009.

III. Financial situation of the United Nations Relief and Works Agency for Palestine Refugees in the Near East

5. The United Nations Relief and Works Agency for Palestine Refugees in the Near East cash and in kind regular budget for the biennium 2008-2009 amounts to $1,093.2 million, of which the cash component was $541.8 million for 2008 and $545.6 million for 2009. In mid-2008, UNRWA revised the cash component of its regular budget for that year to $546.4 million to cover unbudgeted additional costs, including salary increases, resulting, inter alia, from the global food and energy crises. The funding gap for 2008 was $97.1 million, as UNRWA's regular budget income for 2008 amounted to $449.3 million ($430 million in donor contributions, and $19.3 million in transfers from the United Nations assessed contributions

[1] For the report of the Fourth Committee on its consideration of the most recent report of the Working Group, see A/63/400.

budget to cover the costs related to 119 international posts). As at 14 September 2009, the anticipated funding gap for the Agency's budget for 2009 was $84 million.

6. The capital requirements of UNRWA programmes, as well as expenditure related to environmental health improvements and shelter rehabilitation, are contained chiefly in the Agency's project budget. These requirements include construction and expansion of schools, health centres and water and sanitation facilities, and camp improvement activities in general. The project budget for 2009 is $57.6 million, slightly higher than the $56.8 million sought last year. As at 14 September 2009, only $7.7 million had been received, and there was no expectation of receiving additional funds later in the year, leaving an anticipated deficit of over $50 million. The Working Group expressed concern about the large scale of the Gaza reconstruction and rehabilitation requirements after the Israeli military operation that began on 27 December 2008, and after the fighting in Gaza that continued until 18 January 2009. The Working Group remained concerned that, in the light of the constraints imposed by inadequate physical facilities on the Agency's ability to deliver quality services, recurrent project budget deficits would adversely affect regular UNRWA services for the refugees.

7. The Working Group was informed by UNRWA at its 14 September 2009 meeting that the Advisory Committee on Administrative and Budgetary Questions had reviewed UNRWA's section of the United Nations proposed budget for the biennium 2010-2011 in June 2009, which related to the costs of the Agency's international staff funded by the United Nations. At that meeting, the Commissioner-General of UNRWA informed the Advisory Committee that the growth in scale and complexity of the refugees' needs and intensifying stakeholder demands for greater programme and management effectiveness had over time made the Agency's chronic financial and human resource limitations untenable. The Advisory Committee was also informed that donor funds for the organizational development programme would expire at the end of 2009, making inclusion in the United Nations regular budget for the biennium 2010-2011 of 14 additional international posts, which are yet to be approved, a prerequisite for the long-term success of UNRWA's reform programme.[2] UNRWA is urgently seeking support from Member States in this regard. Of the 14 remaining posts, the United Nations Secretariat, in early 2009, proposed only three in the United Nations regular budget for the biennium 2010-2011. The Working Group was informed by UNRWA that in its report dated 15 October 2009, the Advisory Committee had recommended approval of UNRWA's full programme budget for the biennium 2010-2011, comprising $1.7 billion. It had also recommended acceptance of the United Nations Secretariat's proposal to add three new P-4 posts for the 2010-2011 biennium. The Working Group noted the Agency's long-standing concerns about the effects of understaffing on its ability to meet the demands of all stakeholders: donors, host authorities and the refugees themselves. Furthermore, compared with other similar United Nations organizations, UNRWA senior management structures are undergraded, creating difficulties for the Agency in recruiting and retaining sufficiently experienced senior international staff. In this regard, the Working Group

[2] The Agency requested 20 new posts to be phased into the budget over two bienniums, 10 posts in the biennium 2008-2009 and 10 thereafter. Six were approved by the General Assembly for 2008-2009, and three more have been proposed for the United Nations 2010-2011 budget; the 11 remaining posts are still being sought.

highlighted the importance of the overall institutional strengthening of the Agency in the coming period.

8. The overall financial context in which UNRWA operates has remained difficult during 2009 owing to two main factors. Firstly, the cost of doing business within the Agency's areas of operation has risen significantly over the past 12 months. As host Governments have sought to protect their own employees from rising costs, public sector pay increases have put pressure on UNRWA to raise salaries for its own staff, as a result of the standing practice that salaries should remain roughly on a par with those paid by local Governments. Outbreaks of labour unrest have erupted during this year among UNRWA employees because of the Agency's reluctance to increase remuneration further at this time. Secondly, and of most consequence, UNRWA's working capital, which has been used to prevent shortfalls of income against expenditure for successive years since 2005, is now completely exhausted. In consequence, it faces a particularly grave outlook in the first quarter of 2010 as, during the first quarter, the inflow of donor contributions is traditionally low. The Agency renewed its appeal to donors to make additional efforts to fully fund the General Fund budget, on the grounds that UNRWA represents the principal source of basic services for the Palestine refugee population. The continued commitment of the international community to the refugees remains essential, in the absence of a just and durable solution to their problem and in the light of the continuing conflicts in the region, which have had devastating economic and social consequences.

9. As at 30 June 2009, the Palestinian Authority owed approximately $27 million in value added tax reimbursements to the Agency, more than double the $12.8 million figure recorded at the end of 2006. The inability of the Authority to make good on its past commitments to eliminate this long-standing debt has contributed to the Agency's serious deficit in its 2009 regular budget. While expressing understanding of the Palestinian Authority's own straitened financial circumstances, the Working Group called on the Authority to address this issue.

10. UNRWA was also concerned about port and related transit charges and security procedures for humanitarian goods it imported through Israel. The Israeli authorities continued to impose transit charges on shipments entering the Gaza Strip, forcing UNRWA to pay $122,640 in 2008 and $241,040 between 1 January and 30 June 2009. In the Agency's view, the charges are a direct tax from which it ought to be exempt under the 1946 Convention on the Privileges and Immunities of the United Nations. The Agency also incurred logistical charges of some $250,000 for nine United Nations armoured vehicles which were blocked at Ben Gurion airport for several months pending import approval by the Government of Israel. The vehicles were needed to enhance United Nations staff safety and security in the Gaza Strip. The Agency considers that the Government's failure to approve the import of the vehicles in a timely manner is contrary to the 1946 Convention. The normal route for UNRWA humanitarian shipments into the Gaza Strip is through the Karni crossing. Citing security considerations, throughout 2008 and 2009 the Israeli authorities closed the Karni crossing for all containers. All UNRWA shipments were required to enter through the smaller Sofa or Kerem Shalom crossings, both of which are unequipped to handle containers and were often closed for imports. Largely owing to the closure of Karni and the requirement from June 2007 to palletize all container shipments, the Agency's excess operating charges in 2008 for storage, demurrage, transportation and palletization were some $2.17 million. In the first six months of 2009 alone, total excess charges for storage, demurrage,

transportation and palletization amounted to some $2.85 million, more than the entire amount for the previous year. The Agency considers that, for substantial periods, the throughput of goods was not consistent with Israel's obligations under the Comay-Michelmore Agreement of 1967 and Israel's obligations under international humanitarian law. In this regard, the Working Group called on all parties concerned to facilitate the mission of UNRWA to provide humanitarian assistance to the Palestine refugee population. Separately, since 14 June 2007, importation into the Gaza Strip of construction materials has been almost entirely prohibited. As a consequence, UNRWA was compelled to suspend or halt the tendering or completion of construction and infrastructure projects. Although the Israeli authorities permitted some materials to enter to enable the Agency to construct temporary facilities for its Summer Games, incomplete UNRWA projects worth $76 million were still pending at the end of 2008 as a consequence of the prohibition. The Working Group, emphasizing the need to ensure the sustained and regular flow of goods and people through the Gaza crossings, recognized the vital role played by UNRWA in providing humanitarian and economic assistance within Gaza.

11. The Working Group acknowledged with satisfaction the considerable progress made since 2006 in implementing the organizational development programme, which seeks to strengthen UNRWA's management and human resource capacity, enhance its effectiveness through improved planning, needs-assessments and programme evaluations, and further implementation of a results-based management and programme culture. As at 31 August 2009, pledges and receipt of funds for the organizational development programme had reached $25.1 million, out of an anticipated total requirement of $26.8 million, a healthy sign of the importance that donors attach to the programme. In this regard, the Working Group acknowledged with appreciation the leadership of Commissioner-General Karen Koning AbuZayd and Deputy Commissioner-General Filippo Grandi, who oversaw the Agency's reform programme. To ensure that reforms in progress were sustained, the Working Group noted that UNRWA was seeking a further $17 million from bilateral donors to implement an enterprise resource planning system. That system could significantly improve the quality of information based on which decisions are made in the Agency, increase the speed of internal processes, empower managers who are closer to the delivery of services and strengthen the connection between responsibility, delegation and accountability. The Agency informed the Working Group that certain activities undertaken under the organizational development programme would continue into 2010. Noting its importance for the Agency's managerial transformation, the Working Group welcomed efforts undertaken over the past year to establish clear indicators to measure the impact of UNRWA programmes. It also urged UNRWA to continue to cooperate closely with the Secretariat and other United Nations agencies that have been through similar reform efforts in order to benefit from their experiences and achieve possible synergies, with the potential for cost savings. Finally, it encouraged UNRWA to take measures aimed at ensuring that the pace and effect of management reforms were sustained after the end of the formal organizational development process.

12. In December 2008, UNRWA launched an appeal for $275.3 million to address the emergency needs of Palestine refugees in the occupied Palestinian territory. A supplementary appeal for Gaza was issued in February 2009. In total, UNRWA emergency funding needs for 2009 in the occupied Palestinian territory amount to

$456.7 million. This figure breaks down as: $85 million for the West Bank, as reflected in the Agency's 2009 Emergency Appeal; $371.3 million for Gaza, in line with the updated quick response plan of July 2009; and $400,000 to cover additional needs at UNRWA headquarters. By 6 September 2009, UNRWA had received pledges totalling $307.6 million, covering 67 per cent ($247.3 million) of its funding needs in Gaza and 71 per cent ($60.3 million) in the West Bank. In both fields of operation, emergency programmes provide, inter alia, badly needed food aid, temporary employment and cash assistance, to mitigate the worst impacts of the protracted crisis on poor families. They also seek to guarantee access to essential services, such as primary and environmental health, and to address psychosocial needs through community mental health programmes. In addition, through systematic monitoring and reporting of conditions, the emergency programmes observe human rights concerns and attempt to ensure there is no abuse of UNRWA facilities. Living conditions for the 1.1 million registered refugees — approximately two thirds of the total population — have continued to decline as a consequence of the very tight economic and movement restrictions imposed on the Gaza Strip, and of the fighting in December 2008 and January 2009, which have created additional demands for UNRWA services. Notwithstanding the availability of significant funds, pledged at the Sharm el-Sheikh donor conference in March 2009, since the end of the fighting there has been little substantive relaxation on the very tight restrictions, stymieing recovery and reconstruction efforts.

13. The fierce conflict from May to September 2007 in and around the Nahr el-Bared refugee camp in northern Lebanon, between the Lebanese Army and a militant group known as Fatah al-Islam, resulted in the destruction of the entire camp. Severe damage was also caused to adjacent areas. The task of rebuilding Nahr el-Bared and caring for some 27,000 displaced refugees is one of the largest ever undertaken by UNRWA. Two years after the fighting ended, over a third of those displaced have been able to return to their original homes in the adjoining area, or else have been rehoused by UNRWA in temporary shelters and collective centres in the area. The majority, however, are still living in rented temporary accommodation, including in garages, in the adjacent areas or else in and around Beddawi camp near Tripoli, Lebanon. Donors have responded quite generously to the three appeals launched so far by UNRWA to support those displaced. The Relief and Early Recovery Appeal, which originally covered a 16-month period from September 2008 to the end of 2009, sought $42.7 million; by August 2009, $25.2 million (59 per cent) had been received. Assistance for temporary accommodation, food and hospitalization, as well as other regular expenses such as water and power supplies and maintenance of the temporary shelter facilities, estimated at $32 million for the period 2009-2011, must continue until the camp is rebuilt. Failure to cover these costs could jeopardize the entire project. At the Vienna donor conference held on 23 June 2008, a joint appeal was launched for $445 million over a three-year period to 2011, to cover the reconstruction of the camp, repairs in the adjacent areas and improvements in the surrounding Lebanese municipalities. The UNRWA component of this appeal has since been revised upwards from $282.1 million to $328 million for a period of four years, as a result of additional costs identified in the interim. Including funds received through the World Bank-administered multi-donor trust fund, as at 31 August 2009, firm pledges received for the reconstruction have totalled $101.3 million, representing 30 per cent of the amount required. While this amount is sufficient to cover the construction of residential and commercial units and related infrastructure outlined in packages 1 and 2 and most of package 3, as

well as that of some UNRWA schools, the balance of $226.7 million still needs to be raised. (The camp has been divided into eight construction "packages" to enable rebuilding to proceed in line with the availability of funding.) Rubble removal and demining will end by November 2009; so far, over 10,000 items of unexploded ordnance have been found. The Working Group called upon all donors, particularly countries in the region, to lend their full support to the reconstruction and relief operations until the camp is rebuilt, as the failure to do so might have serious consequences for the security of the refugees and the stability of Lebanon. In addition, the Working Group encouraged UNRWA to continue with its comprehensive camp improvement initiative, which seeks to upgrade living conditions in the other 11 Palestine refugee camps in Lebanon, a project fully supported by the Government.

IV. Concluding remarks

14. The Working Group continues to believe that UNRWA plays a vital role in providing assistance to the Palestine refugees as well as in preserving the stability and security of the region. To assist in meeting this strategic goal, adequate funding of the Agency's programmes, in accordance with the changing needs of the refugee community and in line with the comparable level of services provided by host authorities to their own citizens, is essential. In this regard, the Working Group welcomes UNRWA's strengthened focus on strategic planning, monitoring and evaluation of programmes and its commitment to results-based management, ensuring the most effective use of donor funds and a stronger emphasis on well-defined outcomes.

15. In view of the deep humanitarian crisis in the occupied Palestinian territory, the Working Group recognizes the essential humanitarian role played by UNRWA emergency operations in alleviating the hardship of the refugees and in preventing an even greater decline in their living conditions. It thus urges the international community to fully fund the Agency's emergency appeals for 2009.

16. The Working Group expresses concern about the continued tight restrictions on the movement of UNRWA staff and humanitarian goods into and out of the occupied Palestinian territory, and between its parts. It calls on the Israeli Government to accord the Agency free and unfettered access. The Working Group supports opening the Gaza crossings to allow the unimpeded flow of humanitarian aid, commercial goods and persons to and from Gaza, consistent with Security Council resolution 1860 (2009). The Working Group also calls for urgent implementation of the United Nations proposal of June 2009, prepared under the auspices of the United Nations Special Coordinator for the Middle East Peace Process, for a pilot group of reconstruction projects implemented by UNRWA and the United Nations Development Programme in the areas of housing, education and health, to be enabled to proceed, as donor funds committed to these projects in prior years have remained unutilized.

17. The Working Group notes with serious concern the very large funding gap anticipated for UNRWA's regular budget in 2009 and reiterates that it is the responsibility of the international community to ensure that UNRWA services are maintained at an acceptable level in quantitative and qualitative terms and to ensure that funding keeps pace with the changing needs of the refugee population.

18. The Working Group commends the Commissioner-General and all UNRWA staff for their tireless efforts over the past year to maintain the services of the Agency under very difficult operational circumstances. It encourages the Commissioner-General to continue her fund-raising efforts and her commitment to keeping major donors and host authorities informed and involved, opening new avenues of support and funding. The Working Group is gratified by the support of a growing number of non-traditional donors, in particular those contributing to the 2009 emergency appeal for the Gaza Strip, and encourages UNRWA to continue its efforts to widen the donor support base. It acknowledges with appreciation the significant project aid provided to the Agency over the past year by donors, including certain important Arab donors.

19. The Working Group calls for the early and complete fulfilment of outstanding donor pledges to UNRWA. It also takes note of the importance for the Agency's planning purposes of early payment of pledges, coupled, where possible, with multi-year commitments of funds. The Working Group notes with regret that the budget for the biennium 2008-2009 was seriously underfunded. In 2008, contributions reached only $449.3 million, 82 per cent of a budget totalling $546.4 million. In 2009, the Agency's cash income was projected to be $446 million, 19 per cent below the required amount.

20. The humanitarian problems faced by the Palestinian refugees today must be addressed as a shared international responsibility pending a final and comprehensive settlement of the Israeli-Palestinian conflict in accordance with international law, including relevant United Nations resolutions. The services provided by UNRWA must be viewed as the minimum required to enable the refugees to lead productive lives. Any reduction in those services, in combination with the constantly increasing number of the refugees, would not only unfairly deprive them of the minimum level of support to which they are entitled, but could also have a destabilizing effect on the entire region. Above all, the Working Group expresses the hope that the international support for UNRWA embodied in the resolutions adopted each year by the General Assembly, in which the Assembly recognizes the importance of the work of the Agency, will be translated in practice into increased support to ensure the continuation of the Agency on a sound financial basis.

21. The Working Group strongly urges all Governments to bear in mind the foregoing considerations when deciding upon the level of their contributions to UNRWA for 2009 and 2010, and once again:

(a) Urges those Governments that have not yet contributed to UNRWA to do so on a regular basis;

(b) Urges Governments that have so far made only relatively small contributions or else contributions that have not kept up with increased needs to raise the level of their support;

(c) Urges Governments that in the past have made generous contributions to UNRWA to continue to do so in a timely manner and to strive to increase them;

(d) Urges Governments that traditionally have shown special interest in the welfare of the Palestine refugees, both in the region and beyond, to begin contributing to UNRWA or to increase their contributions;

(e) Urges Governments to fully fund UNRWA's budget for the biennium 2010-2011, to ensure that the real value of contributions to the Agency is maintained, and to ensure that donor support for emergency-related and special programmes does not in any way decrease contributions to or divert them from its regular programme;

(f) Urges donor Governments, where possible, to provide multi-year funding to allow UNRWA to better plan its activities.